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BEFORE THE ARIZONA CORPORATION COMMISSION

2012 FEB -8 A 9:03

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB - 8 2012

DOCKETED BY

[Signature]

In the matter of:

DOCKET NO. S-20785A-11-0062

EDWARD JOSEPH BARSANO (a.k.a. "ED
BARSANO") and JEANNE BARSANO,
husband and wife,

**SECURITIES DIVISION MOTION TO
FILE AMENDED NOTICE OF
OPPORTUNITY FOR HEARING**

ROBERT COLEMAN STEPHENS (a.k.a.
"BOB STEPHENS") and JANE DOE
STEPHENS, husband and wife,

COOLTRADE, INC., an Arizona corporation,

Respondents.

The Securities Division ("Division") of the Arizona Corporation Commission filed a Temporary Order To Cease And Desist ("TC&D") And Notice Of Opportunity For Hearing ("Notice") in this case on February 2, 2011.

A. Respondent Robert Coleman Stephens.

The Division personally served the TC&D and Notice on Respondent Robert Coleman Stephens ("Stephens") on February 4, 2011.

To date, Stephens has not filed a request for hearing or an answer to the Notice. Stephens has also not objected or responded to the TC&D.

The Division respectfully moves the Administrative Law Judge ("ALJ") under A.A.C. R14-3-106(E) and (K) for leave to file an amended Notice ("Amended Notice").

A copy of the Amended Notice is attached to this motion as Exhibit "A."

Under A.A.C. R14-3-106(E), the ALJ has the discretion to allow any formal document to be amended.

1 The Amended Notice removes a claim against the Stephens' marital community, modifies
2 the caption to include Stephens' "doing business as" the "Project" and "The Project Group," deletes
3 Jane Doe Stephens from the caption, and otherwise modifies the Division's allegations against
4 Stephens.

5 **B. Respondents Edward Joseph Barsano, Cooltrade, Inc. and Jeanne Barsano.**

6 The Division also served the TC&D and Notice on Respondents Edward Joseph Barsano
7 ("Barsano") and Cooltrade, Inc. ("Cooltrade") on February 3, 2011; and (b) on Respondent spouse
8 Jeanne Barsano ("Spouse") on October 24, 2011. These Respondents also did not file a request for
9 hearing or an answer.

10 Rather, Barsano, Cooltrade and Spouse executed a proposed order and consent that was
11 approved by the Commission at the January 26, 2012, open meeting resulting in Decision No.
12 72804. Decision No. 72804 resolved the Division's claims against Barsano and Cooltrade as
13 alleged in the Notice and it dismissed Spouse from these proceedings.

14 Thus, the caption of the proposed Amended Notice does not reference Barsano, Cooltrade
15 or Spouse. The Amended Notice also does not include any claims against Barsano, Cooltrade or
16 Spouse for the reasons set forth above.

17 Based on the foregoing, the Division respectfully requests the ALJ to permit the filing of the
18 Amended Notice.

19 RESPECTFULLY SUBMITTED this 8th day of February 2012.

20 ARIZONA CORPORATION COMMISSION

21
22 By _____

23 Mike Dailey
24 Attorney for the Securities Division of the
25 Arizona Corporation Commission
26

1 ORIGINAL AND EIGHT (8) COPIES of the foregoing
2 filed this 8th day of February 2012 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
6 Phoenix, AZ 85007

7 COPY of the foregoing hand-delivered
8 this 8th day of February 2012 to:

9 Marc E. Stern, Esq.
10 Administrative Law Judge
11 Arizona Corporation Commission/Hearing Division
12 1200 W. Washington St.
13 Phoenix, AZ 85007

14 COPIES of the foregoing mailed
15 this 8th day of February 2012 to:

16 Robert J. Itri, Esq.
17 Robert Mitchell, Esq.
18 Gallagher & Kennedy, P.A.
19 2575 East Camelback Road
20 Phoenix, Arizona 85016
21 *Attorneys for Edward Joseph Barsano,*
22 *Jeanne Barsano, and*
23 *Cooltrade, Inc.*

24 Dan W. Goldfine, Esq.
25 Cory L. Braddock, Esq.
26 Snell & Wilmer, L.L.P.
One Arizona Center
400 East Van Buren Street
Suite 1900
Phoenix, AZ 85004-2202
Attorneys for Respondent
Robert Coleman Stephens

By: Karen Houk

Exhibit “A”

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 GARY PIERCE, Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
 BRENDA BURNS

7 In the matter of:

8 ROBERT COLEMAN STEPHENS (a.k.a.
9 “BOB STEPHENS”, d.b.a. “THE PROJECT”
 and “THE PROJECT GROUP”), a single man,

10 Respondent.

) DOCKET NO. S-20785A-11-0062

) **AMENDED NOTICE OF OPPORTUNITY**
) **FOR HEARING REGARDING**
) **PROPOSED ORDER TO CEASE AND**
) **DESIST, ORDER FOR RESTITUTION,**
) **ORDER FOR ADMINISTRATIVE**
) **PENALTIES AND FOR OTHER**
) **AFFIRMATIVE ACTION**

12 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

13 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

14 The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”)
15 alleges that Respondent ROBERT COLEMAN STEPHENS (a.k.a. “BOB STEPHENS”, d.b.a.
16 “THE PROJECT” and “THE PROJECT GROUP”), has engaged in acts, practices, and transactions
17 that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”).

18 **I.**

19 **JURISDICTION**

20 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
21 Arizona Constitution and the Securities Act.

22 **II.**

23 **RESPONDENTS**

24 2. At all relevant times, Respondent ROBERT COLEMAN STEPHENS (a.k.a. “BOB
25 STEPHENS”, d.b.a. “THE PROJECT” and “THE PROJECT GROUP”) (“STEPHENS”) has been
26

1 a single man and an Arizona resident. At all relevant times, STEPHENS offered and sold "The
2 Project" and "The Project Group" investments discussed below within and from Arizona.

3 3. STEPHENS has not been registered by the Commission as a securities salesman or
4 dealer.

5 III.

6 FACTS

7 A. The Project

8 4. At all relevant times, STEPHENS represented to offerees and investors that
9 STEPHENS was developing a large real estate and commercial project that would variously entail
10 time share condominiums, a lake and an airstrip or runway on which persons could fish and drive
11 race cars and speedboats, or fly aircraft. STEPHENS referred to this development as the "The
12 Project" and the "The Project Group" (the "Project").

13 5. STEPHENS further described the Project to offerees and investors as a "NHRA
14 themed entertainment complex" involving a golf course, indoor mall, motor home parking, and a
15 Ferris wheel tantamount to a Walt Disney / raceway type project and timeshare.

16 6. The Project, however, has not been formed as a legal or corporate entity.

17 7. At all relevant times, STEPHENS offered and sold investments to raise capital to
18 fund the Project (the "Investments").

19 B. Project Investment Terms and Offering Summary

20 8. From on or about April 9, 2009, to February 16, 2011, STEPHENS sold
21 approximately fourteen Investments totaling \$1,007,500 to thirteen investors residing in Arizona
22 and three other states.

23 9. At all relevant times, STEPHENS represented to offerees and investors that the
24 Project Investments: (a) could be purchased in amounts ranging from \$20,000, \$50,000 or
25 \$100,000; (b) would be safe and/or secured by STEPHENS' black private jet, a picture of which
26

1 was displayed by STEPHENS during the seminars discussed further below; and (c) pay investors
2 interest on their principal Project Investments at the rate of twenty percent per annum.

3 10. STEPHENS caused to be prepared and distributed to offerees and investors a two
4 page color document titled, "I HAVE A REQUIREMENT FOR \$250,000" (the "First Prospectus").
5 The First Prospectus states that STEPHENS would pay investors interest on their principal
6 Investments at the rate of twenty percent per annum, versus standard market returns of only two
7 percent and, as a result, a \$100,000 Investment would provide investors with a profit of \$20,000 per
8 year.

9 11. The First Prospectus further states that STEPHENS would "POOL" or combine the
10 Investment funds together to fund the Project and, in answer to the question "WHAT IS YOUR
11 COLLATERAL???", STEPHENS caused two photos of his black Jet to be attached to the First
12 Prospectus.

13 12. The First Prospectus does not include any restrictions on the ultimate dissemination
14 of the First Prospectus to third parties by the recipient.

15 13. STEPHENS similarly provided offerees and investors with a two page color diagram
16 or flow-chart that details STEPHENS' vision for the Project and investors (the "Second
17 Prospectus"). The Second Prospectus states that Project: (a) will involve approximately two
18 hundred condominium units, and approximately six thousand time share and/or vacation unit
19 intervals available to be sold for approximately \$50,000 each, or a total of \$300,000,000; (b) that
20 because the condominiums or time share units would only cost a total of \$50,000,000 to build,
21 STEPHENS and the Project would realize approximately \$250,000,000 in net proceeds; and (c) that
22 STEPHENS and the Project investors could ultimately sell equity or ownership interests in the
23 Project to others via private stock sales or through a "Take Over." The Second Prospectus further
24 indicates that Respondents and Project investors could receive additional profits in the form of
25 revenues from condominium unit rentals, and racing event ticket sales purchased by, for instance,
26 "100,000 spectators" at Project racing events.

1 14. The Second Prospectus includes photos of airplanes and dragsters, and states that
2 Project Investments would provide investors with interest on their principal investments at the rate
3 of twenty percent per year, be collateralized by the black Jet and that STEPHENS was offering to
4 sell Project Investments totaling at least \$2,000,000.

5 15. The Second Prospectus also does not include any restrictions on the ultimate
6 dissemination of the Second Prospectus to third parties by the recipient.

7 **C. STEPHENS' General Solicitation of Investors**

8 16. In or around December 2010, STEPHENS also sought to raise money for the Project
9 by selling training classes relating to an automated computer program that subscribers can use to
10 buy, sell and trade securities (the "Software").

11 17. STEPHENS and the owner of the Software agreed to equally split the fees that
12 would be paid by Software training class students, "50/50." STEPHENS planned to use his share
13 of Software training class revenues to promote the Project.

14 18. STEPHENS and the owner of the Software decided to market the Software and
15 related training classes to the public by presenting seminars held at a theater and bar in Scottsdale,
16 Arizona (the "Seminar(s)").

17 19. Seminars were held by STEPHENS and the owner of the Software on: (a) January
18 15, 2011 ("First Seminar"); (b) January 22, 2011 ("Second Seminar"); and (c) January 29, 2011
19 ("Third Seminar").

20 20. The majority of STEPHENS' Project investors and Investment offerees attended the
21 First, Second and Third Seminars.

22 21. Like the written seminar invitations discussed below, STEPHENS referenced the
23 Project during the Seminars. Without limitation, STEPHENS represented to attendees of the Third
24 Seminar that, "What this is is...I have a Project that I was working on to fund that Project and I've
25 spent literally four years, three years trying to fund that Project..."
26

22. STEPHENS was a primary speaker during the Seminars, and he often referenced pictures from a slide show while speaking, including photos of the black jet, and race or drag boats, race cars and top fuel dragsters.

23. A major purpose of the Seminars was to have attendees meet STEPHENS "for the first time" and for STEPHENS to provide attendees with a "short SERIOUS intro of...[STEPHENS' purported] credentials."

24. Thus, during the Seminars, STEPHENS also represented that he was a highly successful business person who: (a) has an architectural degree; (b) was a partner in a civil engineering firm; (c) started out building residential real estate/homes; (d) has a family that "owns one of the largest businesses in the state of Arizona;" (e) has built 1,000 condominium units in downtown San Francisco, 500 condominium units at San Francisco State University and numerous other real estate projects; and (g) managed 150 employees during, for instance, a one day concrete "pour."

25. STEPHENS invited some of his friends to attend the Seminars.

26. To generate even more Seminar attendance, STEPHENS caused initial invitation emails to be sent to at least thirty-one persons, in part, through an online event invitation program called "Evite" (the "Evite(s)").

27. The Evite for the First Seminar referenced both COOLTRADE and STEPHENS' Project, in part, as follows:

"You're Invited"

...The Project

Host:

The Project Group...

When:

Saturday, January 15 from 10:00 AM to 1:00 PM...

Hi Everyone,

Here is the invite for the [Software]...presentation and The Project overview. If you are not familiar with CoolTrade, please visit the website at www.cool-trade.com.

The presentation will last about 1 hour and the rest will be question and answer and food will be served in a private area at the...[restaurant] connected to the theater.

If you are bringing a guest, please limit that to 1 – 2 people only, unless you have already RSVP'd. You can forward this to your guests if you like.
(Emphasis added and in original)

28. The Evites for the Second and Third Seminars both similarly referenced "...THE PROJECT" and identified the hosts as the "...Project Group (Bob Stephens)."

29. As stated in the Evites, Seminar invitees were encouraged to bring guests, and "1-2 of their friends." They did. Thus, Seminar invitees would often forward their original Evites on to their friends and invite other people to attend the Seminars to, for instance: (a) "see a business opportunity" that would provide the Seminar attendee with an "opportunity for retirement;" and (b) hear about a "new venture." As a result, at least one hundred persons were invited to attend the Seminars.

30. The First Seminar was attended by approximately twenty-five people both in person and via a "Skype" video/telephone stream. Approximately thirty-five persons attended the Third Seminar.

31. The exact number of persons who attended the Seminars is unknown, in part, because STEPHENS did not attempt to accurately count the same, for instance, through the use and/or retention of attendee sign-in sheets.

32. Before, during and after the Seminars, STEPHENS individually introduced himself to various Seminar attendees. STEPHENS not know the majority of the Seminar attendees. Similarly, many of the Seminar attendees had no substantial or pre-existing relationship with STEPHENS or his Project.

33. On February 2, 2011, the Division filed a Temporary Order To Cease And Desist And Notice Of Opportunity For Hearing" (TC&D) in this matter that alleges that STEPHENS was violating the Securities Act by offering and selling unregistered securities, in part, by presenting the

1 Seminars to the general public relating to "The Project" and/or "The Project Group." (See, TC&D,
2 ¶¶3, 11-14, 19, 63-67).

3 34. Thereafter, STEPHENS ceased presenting the Seminars to the general public.

4 35. In addition to the Seminars, at all relevant times, STEPHENS engaged in a search to
5 find persons to assist STEPHENS in effecting Investment offers and sales including, without
6 limitation, numerous existing investors ("Assistant(s)").

7 36. STEPHENS provided the Assistants with information regarding his Arizona bank
8 account into which new investors could wire their principal Project Investment funds.

9 37. STEPHENS selected Assistants that had substantial, pre-existing social or
10 professional networking contacts or who, due to their job, had an extensive client base or were part
11 of extensive social or civil networks. For instance, Assistants used by STEPHENS to help him
12 promote both STEPHENS himself and the Investments included, without limitation: (a) at least two
13 Arizona real estate agents; (b) a licensed insurance salesman; and (c) members of a local minority
14 business chamber of commerce and a civic advisory panel.

15 38. The First and Second Prospectuses, and Project Investment information were
16 distributed by Assistants to their friends, clients and/or professional contacts. For instance, one
17 Assistant wrote an email to a potential investor and eventual Seminar attendee dated November 1,
18 2010, that: (a) encouraged the potential investor to attend a Project meeting to be held in Scottsdale
19 on November 3, 2010; and (b) encouraged the potential investor to invite her friends "and/or any
20 investor you want to bring in. This is the initial phase of the project, we can let you know more of
21 the project at the meeting this Wednesday."

22 39. In another case, an Assistant who is a realtor forwarded the Prospectus on to
23 approximately twelve of his business contacts. This Assistant also talked to a lot of people to
24 determine whether they were interested in either loaning STEPHENS money or investing in the
25 Project.

1 40. At all relevant times, STEPHENS and approximately five Assistants met
2 approximately twenty to thirty times in person in Scottsdale to discuss both the Project and who
3 might be interested in purchasing a Project Investment. STEPHENS and these Assistants referred
4 to themselves as being members of the "core group."

5 41. STEPHENS represented to one member of the core group of Assistants that he was
6 looking for private investors to fund the Project. This Assistant understood that to continue to be a
7 member of the core group, the Assistant was expected to find investors to funnel to STEPHENS for
8 the Project, and, for instance, forward the First Prospectus on to the Assistant's friends and business
9 contacts who might be interested in "being a conduit to bring on [Project Investment] investors."

10 **D. General Project Investment Allegations**

11 42. At all relevant times, STEPHENS represented to offerees and investors that
12 STEPHENS would manage the essential elements of the Investments on behalf of investors and,
13 without limitation, negotiate and execute real estate development contracts and sponsorship and/or
14 marketing agreements with boat and drag racing teams to be involved with the Project.

15 43. Investors purchased their Project Investments based on STEPHENS' representations
16 that STEPHENS was an able and experienced real estate developer who had, for instance,
17 profitably built thousands of condominium units in both Arizona and California, and was a member
18 of a family that owned a very large and successful Arizona business.

19 44. At all relevant times, STEPHENS represented to investors both verbally and in
20 writing that STEPHENS' ability to repay investors their principal Investments and/or promised
21 interest profits was interwoven with and primarily dependent on STEPHENS' real estate
22 development and financial experience and expertise and his ability to profitably develop, construct
23 and/or operate the Project.

24 **E. STEPHENS' Misrepresentations and Omissions of Material Facts**

25 45. Unbeknownst to offerees and investors, STEPHENS previously was the owner and
26 operator of a "consulting" business operated through a company called Big Iron Garage Big, Inc.

1 (“Big”) incorporated by STEPHENS as an Arizona corporation on June 9, 2003. At all relevant
2 times, STEPHENS was Big’s president.

3 46. On or about July 20, 2006, STEPHENS and Big obtained a \$900,000 loan from a
4 Delaware lender (the “First Big Loan”). STEPHENS personally guaranteed the First Big Loan and the
5 related promissory note that obligated STEPHENS and Big to pay annual interest on the First Big
6 Loan totaling 12.625%, and monthly payments of \$9,822.46 until August 1, 2036. STEPHENS and
7 Big defaulted on the First Big Loan and, as of April 27, 2007, the Delaware lender was owed
8 \$1,387,993.72. After the Delaware lender apparently foreclosed on its loan collateral, STEPHENS
9 and Big owed the Delaware lender a total of \$567,993.72. Unbeknownst to offerees and investors, the
10 Delaware lender filed a lawsuit against both STEPHENS and Big in Maricopa County Superior Court
11 for breach of contract on June 18, 2007 (*See*, CV2007-010795). STEPHENS and Big failed to timely
12 defend the lawsuit and the Delaware lender obtained a final judgment against STEPHENS and Big
13 totaling \$574,166.24 on or about November 20, 2007 (the “First Judgment”). To date, neither
14 STEPHENS nor Big have paid any money towards satisfaction of the First Judgment.

15 47. Similarly, STEPHENS and Big leased a commercial property from an Arizona resident
16 on or about January 16, 2006. The lease agreement was unconditionally guaranteed by STEPHENS,
17 and obligated STEPHENS and Big to pay the landlord escalating monthly rent up to \$5,574 for a
18 period of three years and three months. STEPHENS and Big defaulted on the lease, and the landlord
19 filed a civil lawsuit against STEPHENS and Big on November 2, 2007, for breach of contract in
20 Maricopa County Superior Court (*See*, CV2007-052968). STEPHENS and Big did not defend this
21 lawsuit, and the landlord obtained default judgments against: (a) STEPHENS on September 2, 2008,
22 totaling \$88,079; and (b) Big on April 28, 2008, totaling \$96,392.32 (collectively, the “Second
23 Judgments”). To date, the Second Judgments remain unpaid.

24 48. STEPHENS’ previous construction business has also resulted in civil judgments being
25 levied against him. Without limitation, STEPHENS and his former company Concrete Forms were
26 sued for breach of contract, resulting in a default judgment being entered against STEPHENS and his

1 company on or about November 23, 1990, in the amount of \$35,000, plus costs and interest thereon at
2 the rate of ten percent per year (the "Third Judgment") (*See*, Pima County Superior Court Case No.
3 265284). Due to non-payment, the Third Judgment has been renewed on multiple occasions in 2005
4 and 2010. The last renewal of the Third Judgment by the judgment creditor was for the original
5 \$35,000 amount, plus costs totaling \$209.01 and interest thereon totaling \$104,994.71 as of February
6 3, 2010, or a total of \$140,203.72. To date, the Third Judgment remains unpaid.

7 49. Project investors made their principal investment checks and/or wire transfers payable
8 to STEPHENS. Investors' principal Investment funds were deposited, commingled and/or combined
9 in an Arizona bank account owned and controlled by STEPHENS (the "Arizona Bank Account").
10 Unbeknownst to offerees and investors, STEPHENS used Investment funds deposited into the Arizona
11 Bank Account, in part, to pay for personal and/or questionable expenses unrelated to the Project
12 including, but not limited to, personal vehicle repairs.

13 50. Unbeknownst to offerees and investors, STEPHENS paid commissions totaling
14 approximately \$45,000 to at least six Assistants who assisted STEPHENS in selling Project
15 Investments.

16 51. On information and belief, unbeknownst to offerees and investors, STEPHENS has
17 not secured their Investments by filing any liens in their favor on STEPHENS' black Jet.

18 52. STEPHENS was personally served with the TC&D on February 4, 2011. However,
19 STEPHENS sold a \$40,000 Project Investment to an Arizona resident on February 17, 2011.
20 STEPHENS did not disclose the existence of the TC&D to this Arizona Project Investor prior to
21 her purchase of the same.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

(STEPHENS & Project Investments)

53. From approximately April 9, 2009, to February 16, 2011, STEPHENS offered or sold securities in the form of investment contracts within or from Arizona.

54. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

55. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

(STEPHENS & Project Investments)

56. STEPHENS offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

57. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

(STEPHENS & Project Investments)

58. In connection with the offer or sale of securities within or from Arizona, STEPHENS directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. STEPHENS' conduct includes, but is not limited to, the following:

- 1 a. Representing to offerees and investors that the Project would be successful and
2 profitable, in part, because STEPHENS was an able, experienced and successful
3 business person, while further failing to disclose to them the existence of his previously
4 failed BIG business, and that: (1) STEPHENS and BIG were unable to repay the First
5 Big Loan personally guaranteed by STEPHENS, and that the Delaware lender obtained
6 a final First Judgment against STEPHENS and Big on or about November 20, 2007, in
7 the total amount of \$574,166.24; (2) STEPHENS and BIG were unable to honor the
8 lease unconditionally guaranteed by STEPHENS and, as result, that the Second
9 Judgments were entered against them in 2008 in the amounts of \$88,079 and
10 \$96,392.32 respectively; and (3) that neither STEPHENS or BIG have paid any money
11 towards satisfaction of the First and Second Judgments;
- 12 b. Representing to offerees and investors that the Project would be successful and
13 profitable, in part, because STEPHENS was an able, experienced and successful real
14 estate developer, while further failing to disclose to them the existence of his
15 previously failed construction business Concrete Forms, and/or were sued for breach of
16 contract in 1990 resulting in the Third Judgment being entered against STEPHENS and
17 his company Concrete Forms that, due to nonpayment, was renewed against them on or
18 about February 3, 2010, in the amount of \$140,203.72;
- 19 c. Representing to offerees and investors that STEPHENS would use Project Investment
20 funds to promote the Project while further failing to disclose to them that STEPHENS
21 would use said funds to pay for personal expenses unrelated to the Project including,
22 for instance, personal vehicle repairs;
- 23 d. Representing to offerees and investors that STEPHENS would use Project Investment
24 funds to promote the Project while further failing to disclose to them that STEPHENS
25 would use some of the funds to pay commissions to persons who assisted STEPHENS
26 in selling the Project Investments;

- e. Representing to offerees and investors that STEPHENS would secure the Project Investments with liens against his black Jet, while further failing to disclose to them that, on information and belief, STEPHENS has not secured any of the Project Investments by filing any liens in favor of investors against STEPHENS' black Jet; and
- f. Representing to an investor who purchased a \$40,000 Project Investment from STEPHENS on February 17, 2011, that the Project would be successful and profitable, in part, because STEPHENS was an able, experienced and successful business person, while further failing to disclose to this investor that STEPHENS had been personally served with the Division's TC&D that alleges that STEPHENS was violating the Securities Act by offering and selling unregistered securities, in part, by presenting Seminars to the general public relating to "The Project" and/or "The Project Group." (See, TC&D, ¶¶3, 11-14, 19, 63-67).

59. This conduct violates A.R.S. § 44-1991.

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order STEPHENS to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order STEPHENS to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order STEPHENS to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and
4. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

STEPHENS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If STEPHENS requests a hearing, STEPHENS must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

XI.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if STEPHENS requests a hearing, STEPHENS must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by

1 calling (602) 542-3477 or on the Commission's Internet web site at
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

3 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
4 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
5 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
6 addressed to Mike Dailey.

7 The Answer shall contain an admission or denial of each allegation in this Notice and the
8 original signature of the answering respondent or respondent's attorney. A statement of a lack of
9 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
10 denied shall be considered admitted.

11 When the answering respondent intends in good faith to deny only a part or a qualification
12 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
13 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

14 The officer presiding over the hearing may grant relief from the requirement to file an
15 Answer for good cause shown.

16 Dated this ____ day of February 2012.

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19 _____
Matthew J. Neubert
Director of Securities
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